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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY
FOR A HEARING TO DETERMINE THE
FAIR VALUE OF THE UTILITY PROPERTY
OF THE COMPANY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN THERON.
TO APPROVE RATE SCHEDULES
DESIGNED TO DEVELOP SUCH RETURN.

Case No.: E-01345A-16-0036

E-01345A-16-0123

**AARP'S RESPONSE TO APS
SETTLEMENT AGREEMENT –
TESTIMONY OF JOHN B.
COFFMAN**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND
TELEPHONENUMBER.**

My name is John B. Coffman. My business address is 871 Tuxedo Blvd., St. Louis,
Missouri, and my phone number is (573) 424-6779.

Q. WHAT ARE YOUR QUALIFICATIONS?

A. I am a consumer advocate attorney and energy consultant for AARP that assists the
organization with its utility advocacy throughout the country. AARP has over 860,000
members in the state of Arizona, and is representing the interests of its members in this case,
including a special focus on the best interests of residential customers with lower than
average electric usage.

1 I have represented the interests of residential utility consumers for over 27 years. I began
2 my career at the Missouri Office of the Public Counsel (OPC) in 1989, the designated state
3 consumer advocate in cases before the Missouri Public Service Commission (MoPSC). I
4 served as director of OPC from 2002 – 2005, as well as serving as Vice-President of the
5 National Association of State Utility Advocates (NASUCA).

6 Since 2005, I have represented AARP before the public utility commissions of several
7 states, including regulatory commissions in Missouri, Illinois, New Jersey, Georgia,
8 Alabama, Florida, North Dakota, and Minnesota, and New York, and in the courts. In 2016,
9 I served as the Independent Consumer Advocate for residential utility consumers for the
10 City of Austin, Texas. I also serve as the Utility Consumer Counsel for the Consumers
11 Council of Missouri.
12

13 Since 2011, I have also taught “Energy Utility Law” as an adjunct professor at the
14 Washington University School of Law in St. Louis.
15

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A. I will explain AARP’s perspective on the Settlement Agreement that was filed in this
18 dockets on March 27, 2017 (“Settlement Agreement”).

19 AARP is asking the Arizona Corporation Commission (“Commission” or “ACC”) to modify
20 the proposed Settlement Agreement regarding two important rate design issues.
21

22 **Q. DID AARP PARTICIPATE IN THE SETTLEMENT DISCUSSION IN THIS**
23 **MATTER?**

24 A. Yes. AARP participated in the settlement negotiations in this case, discussing terms of
25 settlement with Arizona Public Service Company (“APS” or “Company”), and with various
26 other parties.
27
28

1 **Q. WHAT IS AARP'S PERSPECTIVE ON THE MARCH 27, 2017 SETTLEMENT**
2 **AGREEMENT?**

3 The settlement process allowed for a thorough and comprehensive discussion of all major
4 issues. AARP is extremely pleased about many aspects of the Settlement Agreement,
5 including the fact that it would not impose mandatory demand rates upon current residential
6 customers, as originally proposed by the Company.

7 However, there are two residential rate design provisions contained in the proposed
8 Settlement Agreement that cause the organization significant concern:

9 1) The dramatic increase in the fixed charge for most R-Basic customers to \$15.00,
10 and

11 2) Limits that would be placed upon the availability of residential rate design options,
12 starting on May 1, 2018.

13 These two issues ultimately prevent AARP from being a signatory to the Settlement
14 Agreement.

15
16 AARP does not support the Settlement Agreement as written, and respectfully asks that the
17 Commission insist upon amendments being made with respect to these rate design issues, as
18 explained further below, before granting its approval to the agreement.

19
20 **Q. WHAT IS AARP'S ISSUE WITH THE PROPOSED FIXED CHARGES FOR R-**
21 **BASIC CUSTOMERS?**

22 In the proposed settlement, APS would increase the fixed "basic service charge" (BSC) to
23 \$15.00 on the monthly bills for customers on a basic flat rate billing plan who have an
24 average of between 800 kWh and 1,000 kWh of electricity per month (a rate tariff that is to
25 be designated "R-Basic")¹. This would amount to an **87.5% increase** from the \$8.00 that
26 most residential customers on a basic plan now pay in terms of a flat monthly fixed charge.

27
28 ¹ Settlement Agreement, p. 17, Subsection 17.2.

1 This sharp increase would create fixed charges for those customers that are among the
2 highest in the state, higher than similar customers must pay under the most recent Arizona
3 Commission decisions changing rates for UNS and for TEP (i.e., \$13.00 per month).

4 AARP believes that residential customers should be able to choose a plan that does not put
5 an unreasonable amount of the rate recovery into a fixed charge, as opposed to basing more
6 cost recovery upon individual household consumption. Charging too much in the BSC for
7 residential consumers limits the ability of those customers to control their monthly bills and
8 reduces the incentive for energy efficiency and energy conservation measures.

9 Customers who use more than 1,000 kWh on average ("R-Basic Large") would pay a \$20
10 fixed BSC charge monthly, and which could result in even greater percentage increases in
11 this rate component. Customers that use less than 600 kWh ("R-XS") on average would pay
12 a \$10.00 BSC monthly. AARP is not requesting a change in those proposals.

13 AARP is asking that the Commission amend Subsection 17.2 of the Settlement Agreement,
14 by insisting upon a reduction in the proposed \$15.00 fixed charge for the vast majority of R-
15 Basic customers who use between 800 kWh - 1,000 kWh of electricity per month. AARP
16 would prefer that this group of R-Basic customers pay \$10.00 monthly, but **no more than**
17 **\$13.00 monthly.**

18 **Q. WHAT IS AARP'S ISSUE WITH THE SETTLEMENT'S PROVISIONS THAT**
19 **WOULD LIMIT AVAILABILITY OF FUTURE RESIDENTIAL RATE PLANS?**

20 A. Under Subsection 19.1 of the Settlement Agreement, "new customers or customers on
21 another rate" would be denied the ability to initially choose Basic rate plans after May 1,
22 2018.² The R-Basic Large rate plan would no longer be available at all to new customers or
23 customers on another rate. Those customers would only be allowed to choose R-Basic after
24 90-days of being forced to initially choose between a demand rate plan or a time-of-use
25 (TOU) rate plan. Low usage residential customers who prefer a Basic rate plan would be
26 denied that option, being forced to "pick their poison" among two other plans that they may

27
28 ²Id. At p. 20.

1 not want. After the 90-day mandatory trial has run its course, those customers would
2 supposedly be allowed to switch to a regular R-Basic rate. There is nothing in the
3 settlement that indicates how those customers will be notified of their choice to “opt out”
4 after 90 days have elapsed.

5 This contested provision would take away customer choice. AARP does not believe that it
6 treats consumers with proper respect regarding their freedom to make choices that fit their
7 household usage patterns. AARP believes strongly that customers – not the utility company
8 – should choose from all available rate plans.
9

10 There is a lot of uncertainty about who would be interpreted to be a “new customer” after
11 May 1, 2018. Consider the example of a couple with an empty nest that is desiring to down-
12 size from their home where they have been a long-time APS customer to a smaller home
13 that is still located within the APS service territory. It is AARP’s understanding that this
14 couple would be denied the ability to choose an R-Basic plan after May 1, 2018, because
15 they would now be considered a “new customer”.
16

17 The Commission should consider the extremely difficulty in switching to an R-Basic plan
18 after being forced unto an unwanted rate plan. It is very uncommon that utility customers
19 would actually be able to figure out on their own how to “opt-out” of a rate plan in order to
20 change to their desired plan after 90 days. AARP would expect most customers who are
21 forced onto a demand rate or a TOU rate to be confused about how to switch after 90 days.
22 It appears that the proposed 90-day provision is an attempt by APS to divert large numbers
23 of unwitting residential consumers onto a demand rate. I am unaware of any such policy
24 anywhere else in the country. It is unnecessarily complicated and confusing, and prevents
25 customers from choosing the rate option that is the best one for them. AARP believes that
26 many would prefer a traditional basic flat rate plan.
27
28

1 “New customers” should not be required to choose between two rate plan options that could
2 be more detrimental for their household than the R-Basic rate plan. There appears to be no
3 reasonable distinction between current and “new customers”, other than the political ease to
4 the utility from limiting options for many future customers. AARP urges the Arizona
5 Commission to reject the provision that would create different options for current
6 customers, as opposed to new limits on rate plan choices for “new customers or customers
7 on another rate”.

8
9 Subsection 19.1 would create a policy of discriminatory treatment towards new customers
10 and would also come with a high barrier for switching to a Basic rate later. It would likely
11 be confusing and frustrating for the affected customers, creating the need for considerable
12 customer education to make the “opt out” procedure more understandable.

13
14 AARP believes that all residential consumers should have the option to choose from all
15 three rate plans, without a forced 90-day trial. AARP also suggests that the Commission
16 order a collaborative to be established, consisting of the parties to this rate case, which
17 would meet to develop protocols and procedures related to Subsection 19.1, to ensure that
18 customer choice is maximized under any final rate design decision.

19
20 **Q. CAN YOU SUMMARIZE YOUR RECOMMENDATIONS?**

21 In summary, AARP urges the Commission to revise the Settlement Agreement to make it
22 more consumer friendly, by toning down the two proposed rate design changes as discussed
23 above, giving customers more choice and control over their monthly utility bills.

24
25 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

26 A. Yes.
27
28

Respectfully submitted this 3rd April, 2017.

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